

# 5 people metrics that matter

1 Cost Per Hire

2 Time To Hire

3 Turnover Rate

4 Turnover Cost

5 Absence Rate



## Cut through the noise with the stats that matter most.

Unfortunately, HR metrics have had a tendency to be ignored because they were either 'too complicated' or they were perceived as offering little value to the business.

Today, as HR has become influential in driving ideas towards sustainable change, the easy-to-understand HR "People" metrics have become vital for evaluating business processes and developing 'people' strategies.

**Successfully utilizing these 5 metrics will ultimately save your organization money and lead to improved business decisions.** To help you drive HR strategy with concise data, our industry experts have developed this list of the top five "people" analytics. You'll also get concrete advice to translate each metrics' results into actions that will help you drive more successful business outcomes.



# 1

## Cost-Per-Hire (CPH)

### Why it matters:

According to the Society for Human Resource Management's (SHRM's) [Human Capital Benchmarking Report](#), the average cost-per-hire is \$4,129. It's extremely important to have an accurate estimate of your CPH.

Knowing this number can help you make wiser investment decisions, outline your referral bonuses and save your company money over time. In order to truly know how your investment is doing, you must be able to see how much each applicant and hire cost your organization.

### How to calculate:

$$(\text{External Costs}) + (\text{Internal Costs}) / \text{Total \# of Hires in a Time Period}$$

### How to improve:

To see a potential decrease in costs and an increase in quality hires, recruiters should be responsible for matching or beating your internal CPH. Use this figure to make smarter investment decisions so you can save money, spend money where it's needed, and hire quality people for less. Knowing your CPH will make your work-life run smoother.



# 2

## Time to Hire

### Why it matters:

The **Time to Hire** (or Time to Fill) metric is the amount of time it takes to fill a position within your organization. According to a [recent SHRM report](#), the average time it takes to hire for a position is 42 days.

Of course, hiring time can vary by seniority, role, industry, company size, but it always makes sense to speed up the hiring process. If you don't, you are at risk of losing quality candidates—potentially to your competitors! By using this metric, recruiters are able to figure out if they're spending too much time, or not enough time, acquiring the right candidates.

### How to calculate:

(Date Hired) – (Date Posted)

### How to improve:

To help you remove problems that delay hiring, consider taking some of the steps below: (4)

- **Produce an outline of who's right for the job.** What capabilities, knowledge base, skill sets, confidence levels, attitudes, salary requirements, etc. are required for your candidates in this specific position?
- **Create a constant flow of quality candidates.** (We know; this sounds easier said than done).
- **Implement interviewing techniques** that improve accuracy and speed.
- **Generate a bucket of 'approved-for-hire' candidates.** Boost the relevant hiring manager's ability to select the most qualified people through unified summaries of qualifications across candidates
- **Utilize a streamlined process** that allows for immediate hiring.



# 3

## Turnover Rate

### Why it matters:

When a company has a high employee turnover rate, it undoubtedly hurts the bottom line. As we've covered, experts approximate that the average cost-per-hire is \$4,129. Companies should keep an eye on employees leaving the organization so they can analyze, and hopefully minimize, causes of turnover. Regulating turnover is a key measurable way that HR departments can affect the bottom line.

### How to calculate:

$$(\text{\# of separations per year}) / \text{Avg. \# of employees per year} \times 100$$

### How to improve:

- **Hire the right people from the beginning.** This is the single best way to decrease employee turnover. You can do this by Interviewing candidates wisely—Of course by validating that they have the right skill set for the job, but also confirming that they fit well with the company culture and current employees.
- **Implement the appropriate compensation and benefits.** Watch for trends in the market and have HR keep you up-to-date. If you are HR, make sure you're informed and able to pass this accurate information on to your colleagues.
- **Accommodate employees' needs—be flexible!** The workforce is changing and you must be able to constantly reevaluate why employees should want to work for you.
- **Encourage employee engagement.** Provide opportunities for social interaction and a positive working atmosphere.
- **Acknowledge and reward your employees.** This may be the most cost-effective way to sustain a content, productive work force.



# 4

## Turnover Cost

### Why it matters:

With a turnover rate comes a turnover cost. As we've covered, experts approximate that the average cost-per-hire is \$4,129 (3). Translation: if your turnover rate is high or increasing, so is your turnover cost, and fast! There are other non-monetary costs that turnover effects as well such as decreasing employee engagement, lowered employee morale, and an increase in work gossip.

### How to calculate:

**Total of the costs of separation + vacancy\* + replacement + training**

\*Vacancy can include costs like: coworker burden, added shifts (overtime), temp agency, job advertisement, etc.

### How to improve:

Experienced financial professionals on the [Forbes Finance Council](#) have offered suggestions on how you can protect your business from financial loss due to employee turnover.

- **Invest in a Thorough hiring Process.** If you consider the crazy costs of employee training and turnover, you'll soon understand that it's well worth the investment for a widespread hiring process.
- **Create a Training Program.** This program will shorten the new-hire bewilderment, help your employees feel at home, and be productive more quickly.
- **Help your Employees Learn and Grow.** Create an individual career path for each employee—don't try to put everybody on the same journey.
- **Make Employees Feel Valued and Challenged.** Employees will want to stay within your company if they feel acknowledged and held accountable.



# 5

## Absence Rate

### Why it matters:

Employee absence is a major problem for a lot of organizations. In 2015 the U.S. Department of Labor (DOL) assessed that on any given day, approximately 3 percent of an employer's workforce was absent. According to a [2014 SHRM/Kronos survey](#), paid time off (PTO) cost employers between 20.9% and 22.1% of their total payroll. The high price tag on employee absence affects companies even more when lost productivity, employee morale and impermanent labor costs are measured.

### How to calculate:

$$[(\# \text{ Days Absent in Month}) / (\text{Avg. } \# \text{ employees in Month}) \times (\# \text{ workdays})] \times 100$$

### How to improve:

Here are some ways to manage employee absence:

- **Take corrective action** for extreme absences
- **Confirm illness** after a certain period of time
- **Use PTO banks** to help decrease unscheduled time off
- **Reward/recognize employees** with positive attendance records



# Conclusion

As HR continues to step out of traditional silos and emerge as strategic talent leaders, it will require a transformation that can only be accomplished through 'people' analytics. HR's increased business focus and the requirements to drive business performance through systematic assessments, increases the need for viable and measurable data that connects people decisions to business performance and results.

**"People" analytics is not the future, it is now.** Executing on the top 5 'people metrics' discussed in this article will promote HR's development into an analytical mind-set that will effectively connect leadership to strategy and talent decisions to value-based business outcomes.

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